

Clean Water Fund Overview

House Committee on Agriculture, Food Resiliency, and Forestry

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Outline

- Clean Water Fund History
- Fund Revenue Sources
- Fund Appropriation Process and Uses
- Fiscal Year 2024 and 2025 Financials



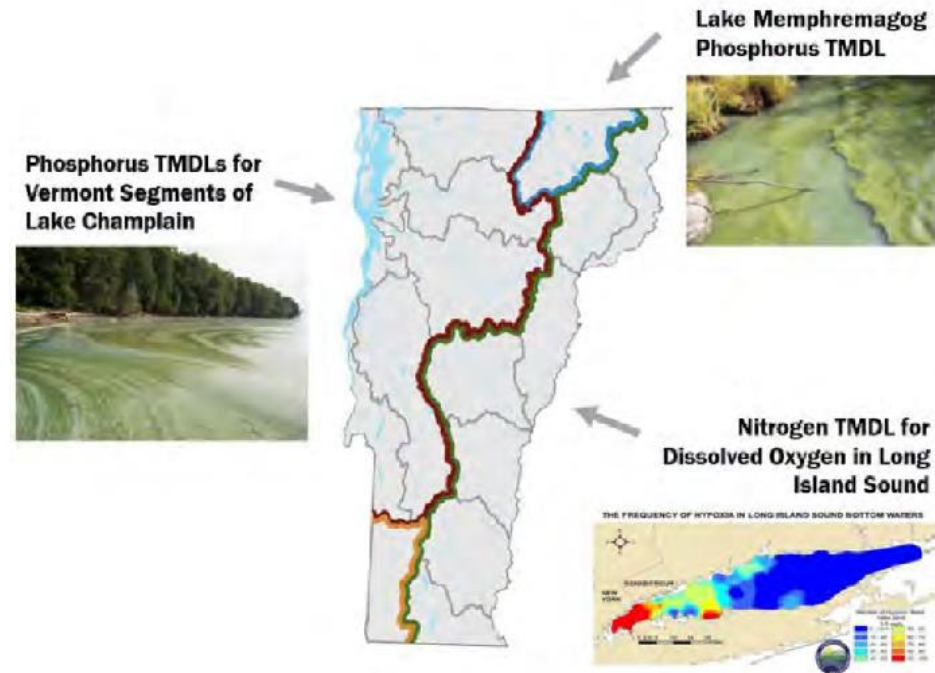
Clean Water Funding in Vermont

- Clean Water Initiative Performance Report
 - Federally Managed Funds for Lake Champlain and Lake Memphremagog Total Maximum Daily Loads (TMDLs)
 - TMDLs are action plans to improve water body health by determining the levels of pollutants a water body can handle
 - Meeting TMDL targets is essential to maintain federal EPA funding
 - Clean Water Initiative (CWI)
 - Clean Water Board
 - Revenue Sources for Clean Water Fund
 - Capital Bill
 - ARPA Funding (FY2022-FY2024)
 - Transportation Bill
 - Other appropriations



Four Basins in Vermont

Large-scale TMDLs requiring nutrient pollutant reductions



Source:

https://dec.vermont.gov/sites/dec/files/WID/CWIP/SFY25%20Public%20Hearing%20Presentation_All.pdf



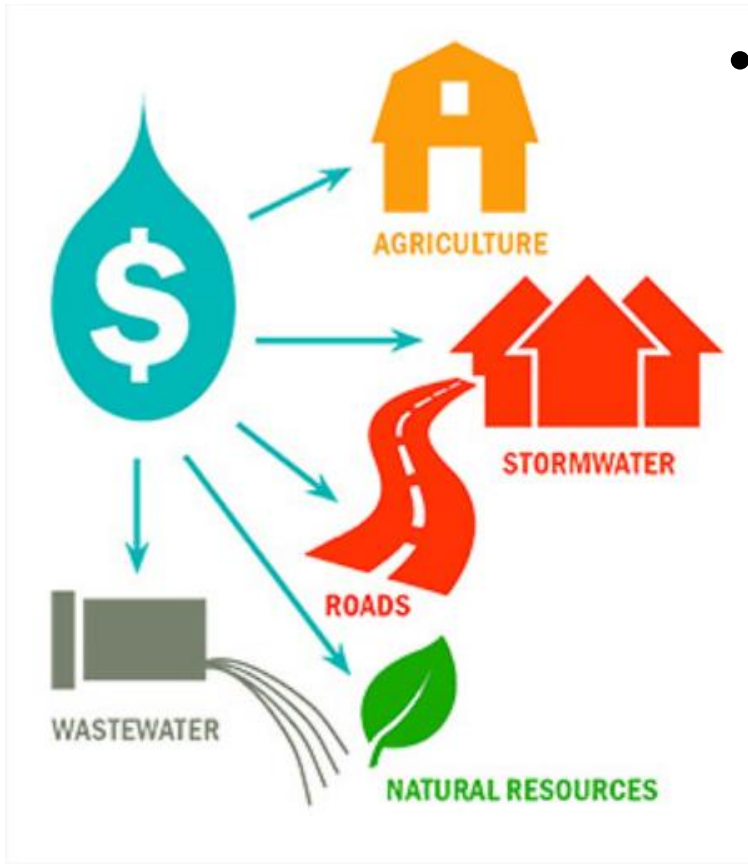
Clean Water Funding in Vermont

- Clean Water Initiative is charged with providing “mechanisms, staffing, and financing necessary to achieve and maintain compliance with the Vermont Water Quality Standards for all State waters”
- 10 VSA §1387 outlines a \$50 to \$60 million annual commitment to the Clean Water Initiative, adjusted for inflation
- The Clean Water Board and Fund are one part of the Clean Water Initiative



Clean Water Fund History

- Act 64 of 2015 (the “Clean Water Act”) created the Clean Water Board and Clean Water Fund
 - In response to impending EPA actions to adopt new Total Maximum Daily Load (TMDL) for Lake Champlain
 - Initial revenue source was 0.2% Clean Water Surcharge applied to certain property transfers
 - Per 10 VSA §1389 the Board shall be “responsible and accountable for planning, coordinating, and financing of the remediation, improvement, and protection of the quality of State waters.”
 - Board consists of representation from 5 state agencies and 4 members of the public



Source: <https://dec.vermont.gov/water-investment/cwi/clean-water-board>



Clean Water Funding Sources

- Clean Water Budget comprised of 3 funding sources:
 - Dedicated revenues
 - Capital Bill funding
 - Designated for infrastructure, buildings, equipment, etc.
 - Appropriated on a biennial basis
 - In fiscal years 2022 through 2024 - American Rescue Plan Act (ARPA) funding



Clean Water Fund – Revenue Sources

- Three revenue sources:
 - 0.2% surcharge on property transfers
 - Generated \$9.2 million in fiscal year 2023 for the CWF, after \$1 million allocation to the Vermont Housing and Conservation Trust Fund required in 32 VSA §9602a
 - Act 208 of 2018 added unclaimed bottle deposits (escheats)
 - Escheats added \$3.5 million in revenue to the CWF in fiscal year 2023
 - Act 76 of 2019 added 6 percent of meals and rooms tax revenue
 - 9% on meals and rooms sales
 - 10% on alcohol purchases (alcohol consumed on premises)
 - Generated approximately \$14.2 million in revenue for the Clean Water Fund in fiscal year 2023



Clean Water Surcharge

Type of Property	Value Taxed	0.5% Property Transfer Tax	1.25% Property Transfer Tax	0.2% Clean Water Surcharge
Not Principal Residence	All		✓	✓
Principal Residence	\$0-\$100,000	✓		
	Marginal Value > \$100,000		✓	✓
Principal Residence Purchased w/ VHFA, VCTF, or USDA Assistance	\$0-\$110,000			
	\$110,000 - \$200,000		✓	
	Marginal Value > \$200,000		✓	✓

Source: <https://tax.vermont.gov/property/property-transfer-tax>

Example: A house with a value of \$400,000 that will be used as a principal residence is transferred

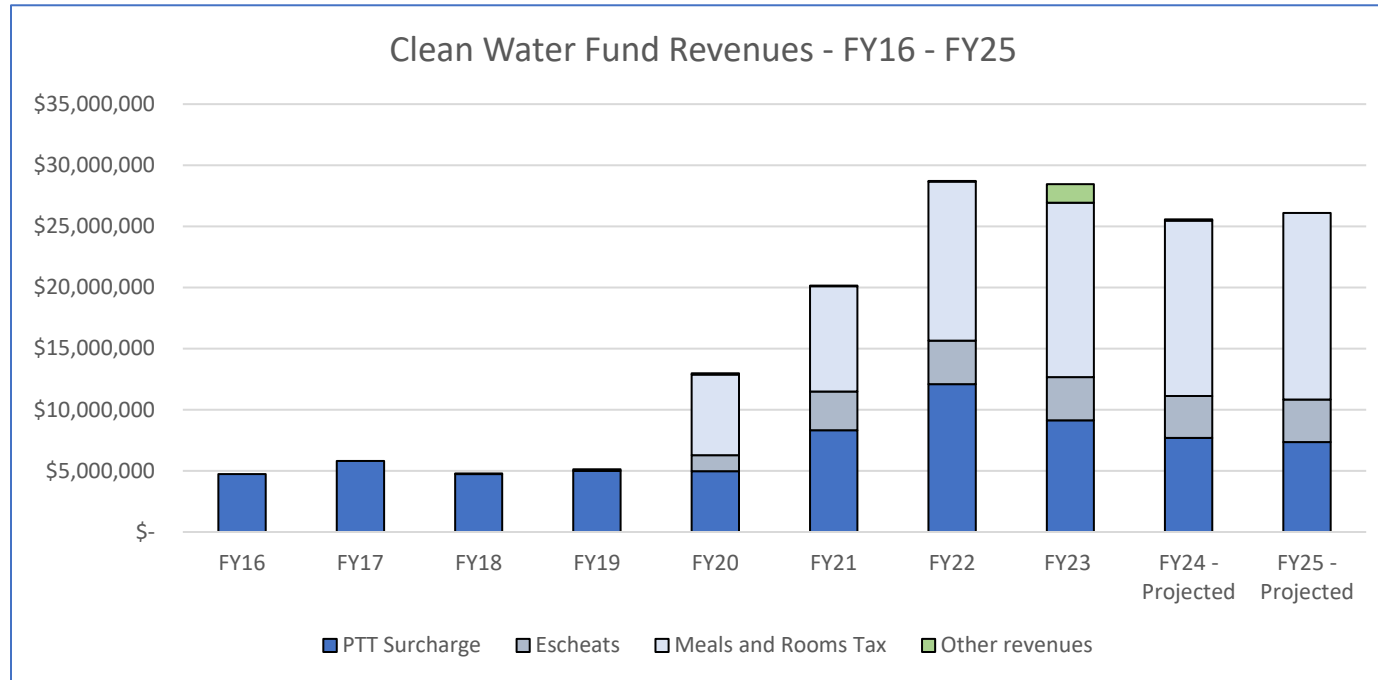
First \$100,000 pays 0.5% PTT

Value between \$100,000 and \$400,000 assessed 1.25% PTT and 0.2% Clean Water Surcharge

Total Tax: \$4,250 PTT, \$600 Clean Water Surcharge



Clean Water Fund Revenues



Source: Clean Water Board; JFO analysis

- These revenues sources do not include appropriated Capital Bill and ARPA funds
- Both Clean Water Surcharge and Meals and Rooms revenues have increased substantially since the pandemic
- Fiscal year 2023 also added \$1.5 million in interest income – shown in the “other revenues” category



Clean Water Budget – Capital Bill

- In addition to base funding through dedicated revenue sources, the Clean Water Fund receives funding through the Capital Bill:
 - Capital Bill funding designated for infrastructure, buildings, equipment, etc.
 - Also provides matching funds for federal revolving loan programs
 - Annual target of \$10 million - \$12 million in funding through Capital Bill
 - Funding in fiscal years 2018 and 2019 two highest years of Capital Bill clean water funding
 - Act 69 of 2023 appropriated \$9.885 million in FY 2024 and \$6.0 million in FY25
 - An additional \$4 million of unallocated/unreserved funds from FY 2024 proposed to bring FY25 capital investments to \$10 million



Clean Water Budget - ARPA Funding

- Act 74 of 2021 appropriated \$225 million in ARPA funding for “clean water initiatives”
- Of this amount, \$35,336,781 has been directed to the Clean Water Fund:
 - FY 2022: \$11 million
 - FY 2023: \$14.3 million
 - FY 2024: \$10 million



Statutory Allocations

- Funding allocated according to the statutory priority found in 10 VSA §1389:
 - 60% to Tier 1 initiatives
 - Grants to clean water service providers
 - Water Quality Restoration Formula Grants
 - Agency of Agriculture, Food, and Markets agricultural water quality programs
 - Water Quality Enhancement Grants
 - Basin planning, education, and outreach
 - 30% to Tier 2 initiatives
 - Projects that address riparian conditions that pose flooding risks
 - Education and outreach regarding implementation of water quality requirements
 - Municipal Stormwater Implementation Grants
 - Funding innovating or alternative technologies or practices
 - Purchasing agricultural lands with water quality requirements that can't be remediated
 - 10% to Tier 3 and other
 - Developed Lands Implementation Grant Program



FY 2024 Example Projects by Tier

Tier	Agency	Funding Purpose	Amount
1	Agency of Agriculture, Food, and Markets	Water Quality Grants to Partners and Farmers	\$11,020,649
1	Department of Environmental Conservation (DEC)	Water Quality Restoration Formula Grants to Clean Water Service Providers & O&M	\$8,360,000
2	Department of Environmental Conservation (DEC)	Municipal Three-Acre General Permit and MS4	\$1,000,000
Other	Department of Environmental Conservation (DEC)	Lakes in Crisis Fund	\$120,000

Source: [https://dec.vermont.gov/sites/dec/files/wsm/erp/docs/2023-06-21_AsPassed_FY24CleanWaterBudget%20\(Updated%202023-07-19\).pdf](https://dec.vermont.gov/sites/dec/files/wsm/erp/docs/2023-06-21_AsPassed_FY24CleanWaterBudget%20(Updated%202023-07-19).pdf)



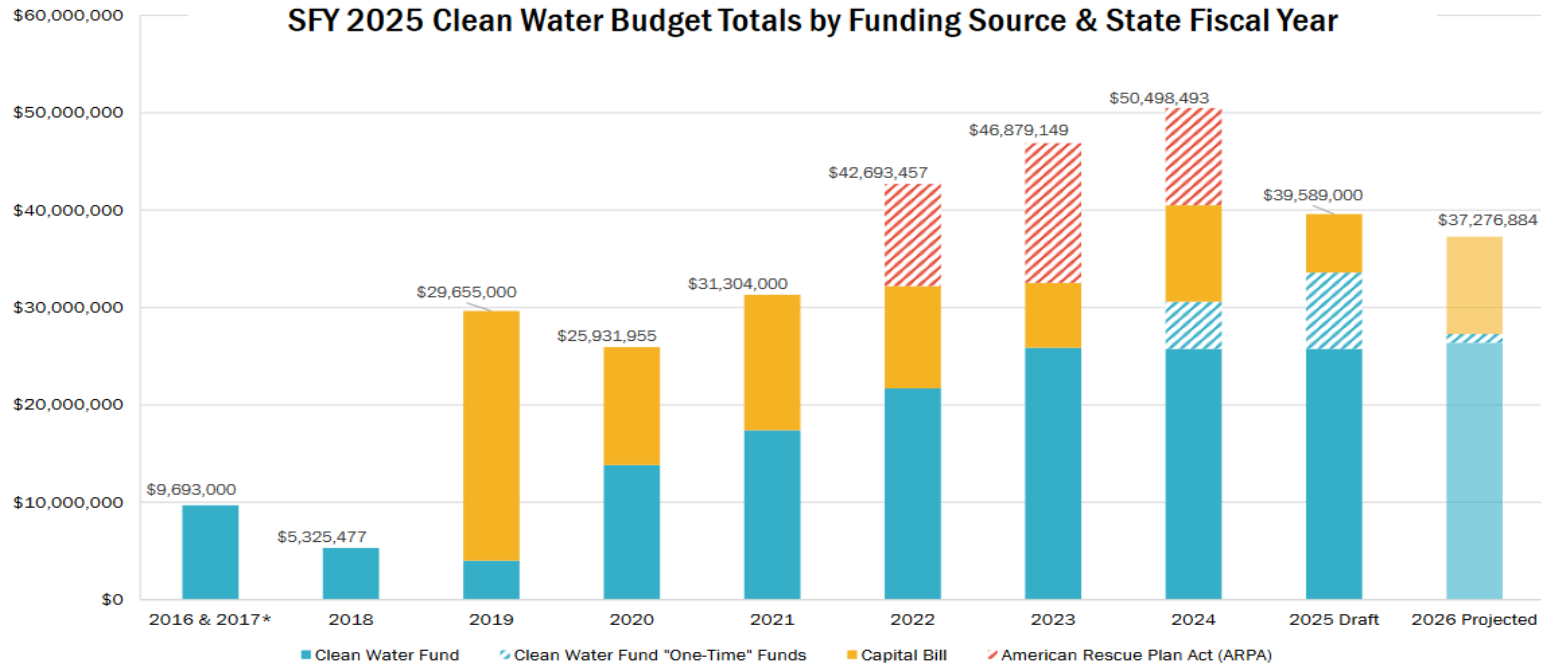
FY 2024 Funding by Agency

Agency	Base Clean Water Fund	Base Capital Bill	One-Time Funds (ARPA and Previous Year Balance)	Total
Agency of Agriculture, Food, and Markets	\$6,684,880	\$2,209,019	\$3,000,000	\$11,866,899
Department of Environmental Conservation (DEC)	\$14,933,750	\$332,981	\$8,751,250	\$28,017,981
Department of Forests, Parks, and Recreation	\$143,613	\$550,000		\$693,613
Agency of Administration	-		\$100,000	\$100,000
Vermont Housing and Conservation Board	-	\$2,800,000		\$2,800,000
Agency of Transportation	\$4,000,000		\$1,000,000	\$5,000,000
Contingency Reserve			\$2,000,000	\$2,000,000
Total	\$25,762,243	\$5,585,000	\$14,851,250	\$50,498,493

Source: [https://dec.vermont.gov/sites/dec/files/wsm/erp/docs/2023-06-21_AsPassed_FY24CleanWaterBudget%20\(Updated%202023-07-19\).pdf](https://dec.vermont.gov/sites/dec/files/wsm/erp/docs/2023-06-21_AsPassed_FY24CleanWaterBudget%20(Updated%202023-07-19).pdf)



Recent Budget Totals



* 2016 and 2017 funding programmed together

Source: https://dec.vermont.gov/sites/dec/files/WID/CWIP/SFY25%20Public%20Hearing%20Presentation_All.pdf

- Three periods:
 - Initial bridge funding provided through the Capital Bill
 - Ramp up of base revenues and ARPA funding
 - Spending of unallocated/unreserved to cushion downturn in base revenues and ending of ARPA period



FY 2024 and FY 2025 Spending by Source

	FY 2024	FY 2025	Difference
Base Revenue	\$25,762,243	\$25,775,887	\$13,644
Capital Bill	\$9,885,000	\$6,000,000	\$(3,885,000)
ARPA	\$10,000,000	-	\$(10,000,000)
Unallocated/Unreserved	\$4,851,250	\$7,813,113	\$2,979,863
Total	\$50,498,493	\$39,589,000	\$(10,909,493)

Source: [https://dec.vermont.gov/sites/dec/files/WID/CWIP/2023-12-05_Final_SFY25CleanWaterBudgetRecommendation%20\(GovRec%201-23-24\)_website.pdf](https://dec.vermont.gov/sites/dec/files/WID/CWIP/2023-12-05_Final_SFY25CleanWaterBudgetRecommendation%20(GovRec%201-23-24)_website.pdf)

- Fiscal year 2024 is the last year of ARPA funds
- Fiscal year 2024 is estimated to end with \$8.4 million in unallocated/unreserved funds
- Fiscal year 2025 spends down this balance to approximately \$350,000
 - \$4 million to add to Capital Bill FY25 appropriation
 - \$3.8 million in additional programmatic spending



Budget Challenges

- The Clean Water Budget is based on revenue projections made two years before revenues are accrued
- Challenging to forecast revenue sources two years in advance
 - Revenue forecasts at the end of the pandemic undershot meals and rooms and clean water surcharge revenues
 - Recently, the real estate market has cooled, reducing Clean Water Surcharge revenues
- Contingency Reserve designed to help manage unexpected outcomes



Closing thoughts

- The Clean Water Fund has a complex network of funding sources and appropriations
 - Three base revenue sources, the biennial capital bill, and more recently ARPA funds
 - Appropriations to 5 state agencies across 3 tiers of priorities
- The Clean Water Fund has experienced a significant influx of revenues since the pandemic, both from ARPA and dedicated revenue sources
 - ARPA is “one-time” funds
- Fiscal year 2026 starts a period that reflects pre-pandemic funding structure, but with higher base revenues
 - These higher base revenues, combined with all other funding sources for the Clean Water Initiative, are considered sufficient to meet the CWI statutory funding target of \$50-\$60 million
- Questions?

